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March 1, 1976



Wheat seeding in France

The CAP Under Review
U.S. Tallow Markets

Foreign
Agricultural
Service
U. S. DEPARTMENT
OF AGRICULTURE

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This week's cover:

Seeding wheat in the eastern part of the Paris Basin, France. France and other members of the European Community are currently engaged in a debate over the cost and effectiveness of EC farm policies, discussed in articles opposite.

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EC Reviews Its Farm Policy, Some Changes Expected

By OMERO SABATINI

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CLIMAXING a year of intensive debate over EC farm policies, the EC Ministers of Agriculture last November released their report on the 1975 review, or "stocktaking," of the European Community's Common Agricultural Policy (CAP).

Although this and the other reports released during that review must still be acted on, they obviously are not going to provoke the sweeping changes in EC farm policy once envisioned—indeed, called for by many. Rather, the CAP so far seems strengthened by the very general assessments made of EC agricultural policies, despite admissions that the CAP needs to be more attuned to the marketplace and less hard on the EC budget.

Meanwhile, EC farm price proposals for 1976/77 aim at some changes in EC production patterns and point to potential setbacks for EC imports of U.S. feed ingredients. Recommended grain support prices, for instance, could provide more competition for U.S. corn exports to the EC, but less competition from EC wheat in the world market. And proposals for a mixing regulation to step up use of nonfat dry milk in feeds would displace high-protein U.S. products, such as soybean meal used in feeds.

The review of the CAP, otherwise known as the "stocktaking" or "balance sheet," was conducted throughout 1975 by several EC institutions and farm organizations, as well as by representatives of consumer and industrial interests. Like another formal review of the CAP undertaken in 1973, the 1975 stocktaking was prompted by widespread concern over the high—and rising—cost of the CAP.

The nonfarm sectors of the EC, led by the West Germans and the British, have been objecting in particular to the excessive expenditures needed to finance production and disposal of commodities in chronic surplus, such as dairy products and soft wheat. There also has been a feeling that EC support policies have

aggravated temporary market imbalances, as in the case of beef, while in general insulating agriculture from market stimuli—to the disadvantage of the consumer.

Expenditures to finance the price support and marketing policies of the CAP are preliminarily estimated at 4.6 billion units of account (u.a.) for 1975 (1 u.a. = \$1.206), compared with expenditures of 3.2 billion u.a. in 1974 and appropriations of 5.2 billion u.a. in 1976. This type of expenditure accounts for roughly three-fourths of the total EC budget.

A complete review of the CAP was one of the conditions imposed by West Germany in return for its acquiescence to an unprecedented mid-year increase in the EC support prices for the 1974/75 marketing year. It was agreed that the EC Commission would submit a report on the stocktaking by February 1975 and that there would be a thorough debate on the Commission's conclusions.

From the beginning, there was no great expectation that the review would result in any immediate or basic reforms of the CAP, but there was some apprehension in EC farm circles that the stocktaking could cause a weakening, if not the eventual demise, of the CAP. During the debate, however, the focus of the discussion shifted somewhat from concern over the high cost of the CAP to a search for ways to adjust existing structures.

SOME FARM interests tried to use the stocktaking process to broaden the CAP and to extend it to some of the few products not yet covered. Attention was also devoted to the need to remove internal obstacles to market unity and to reduce income disparities among various regions of the Community and different categories of farmers.

The major points that emerged from the stocktaking discussions are contained in the document released by the EC Ministers of Agriculture in Novem-

ber 1975. The Ministers submitted this document to the EC Heads of Government for consideration at their December 1975 meeting. However, because of a tight schedule, agricultural matters were not discussed at that meeting. Since the Heads of Government have not yet examined the November document formally, the Ministers' position should still be regarded as a revised assessment of the CAP rather than some sort of new "charter."

Also, despite some involvement by representatives of consumer groups and industry, so far most of the stocktaking discussions have been held by and among representatives of farm interests—even though the stocktaking was started primarily to placate the nonfarm sectors. Thus, the final decisions emerging from the stocktaking—or any new policies eventually traced back to it—could differ from the November recommendations of the Ministers of Agriculture.

Their document recognizes the CAP as an indispensable part of European integration. It further points out that the CAP has had positive results in raising farm income and productivity, stabilizing supplies and prices for the consumers, and expanding trade among EC members without reducing (or so it is claimed) trade with third countries.

The joint statement of the Agricultural Ministers implies that the price support policy—rather than direct subsidies to the farmers—will continue as the principal instrument to sustain farm incomes. It suggests, however, the possibility of gearing the price policy to modern farm holdings and indicates that direct aid could be used as a supplement in cases where price policy alone cannot achieve desired aims.

The Ministers consider that an expenditures ceiling would be incompatible with the operation of the CAP but recognize the need for links between agricultural and budgetary policies and the need for improved market equilibrium. To achieve this equilibrium, a number of measures will have to be considered, in addition to the price policy, in the following areas: Stock, consumer, and export policies; food aid; producer participation in market risks; and actions to improve productivity.

Obviously, development of new programs or modifications of existing ones within each of these broad areas would take some time, especially in view of the

need to reconcile the often-conflicting interests of the nine Member States. However, the EC is already rather active in areas such as export policy (particularly export subsidies), food aid, storage and consumption (butter) subsidies, and improvement of productivity. In these cases, action will probably focus on broadening existing programs or reassessing priorities.

Concerning the export policy, the Commission's report on the stocktaking had suggested that the EC should enter into long-term export contracts. These contracts could become part of the future EC export policy. (On another trade aspect, the Ministers, in their November statement, indicated that the cost of granting preferences to third countries on agricultural commodities should not be borne by farmers alone; however, the document did not come

out against existing or proposed preferential agreements with third countries.)

Regarding consumer policy, it is difficult to anticipate any drastic measures in favor of the consumer as long as price supports and import restrictions remain the major means for sustaining farm incomes. Ensuring the consumers adequate supplies at reasonable prices is one of the stated basic aims of the treaty establishing the CAP, but no definition of reasonable prices is given in the treaty. In 1973, expenditures on food and beverages accounted for an average of almost 26 percent of total consumer expenditures in the EC, compared with 18 percent in the United States (including expenditures for tobacco in the United States).

Consumer movements within the EC have not been as vociferous as in many other parts of the developed world.

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French Farmers, Government Still Committed To EC's CAP

By HAROLD A. McNITT
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THE EUROPEAN COMMUNITY's Common Agricultural Policy (CAP) is enduring its greatest period of stress since its inception in 1962, but if the Government and farmers of France have their way, little in the EC's basic farm policy will change. The surge in discussion of the CAP began with a review of the policy in 1973, was complicated by a series of economic shocks, and has intensified this past year in the wake of the CAP's "stocktaking" that was completed early in 1975.

Criticism has been led by West Germany and the United Kingdom, which maintain that current problems call for a major re-examination of the system. The most vocal support for the CAP has come from France, whose agricultural sector has expanded tremendously during the decade and a half of the CAP's existence.

France has influenced the shaping of the CAP since 1962 and is playing a leading role in the review of the policy now. France's critical role is based pri-

marily on the country's position as the EC's top farm producer, the "breadbasket" of Western Europe. The French Government is backed by an agricultural sector that is organized in its support of the CAP, is aware of current policy issues, and has proven itself able to make its needs and objectives known to the Government.

The 1975 stocktaking outlined the CAP's history, evaluated its effectiveness, and suggested some changes. While all the EC members have accepted the goals of the recommendations, there has been considerably less unanimity on the methods of achieving them.

The recommendations, which are discussed in more detail in the preceding article, stressed improvement of the EC's supply/demand equilibrium, an increase in farm productivity, equalization of farmers' incomes throughout the Community, progress toward a more unified Common Market, and, perhaps most importantly, reduction of the high cost of maintaining the CAP.

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It was the high cost of operating the CAP that combined with some important economic developments to enliven the current discussions. The worldwide changeover from fixed to fluctuating exchange rates that began with the Smithsonian Agreement late in 1971 played havoc with the CAP's system of common price supports. The energy crisis of 1973, the global recession, and the steep rise in raw material prices all placed the CAP under heavy strains. The enlargement of the Community in 1973 to include the United Kingdom, Denmark, and Ireland created new problems of adjustment.

Despite the current difficulties, all nine EC members agree on the desirability of a common agricultural policy. They also appear united on the three basic principles of the CAP as originally conceived: Common pricing, Community preference, and common financing. However, major differences have surfaced among EC members as to how these principles should be implemented in the future. The different members' responses to the stocktaking report reflect these areas of disagreement.

The United Kingdom and West Germany, for example, have urged the Community to make the CAP more responsive to consumer interests. They claim that the CAP's price support system has often created surpluses by encouraging overproduction in such fields as dairy products and beef.

BECAUSE OF the price support system, the law of supply and demand cannot function to bring prices down. Other criticisms have been directed against the CAP system of surplus disposal through sale of the commodities abroad, often at prices well below those paid by consumers in the EC.

West Germany has also expressed concern that it is paying an unduly high proportion of the cost of maintaining the price support and other CAP activities. Though it contributes nearly a third of the CAP's budget, West Germany receives less than a fifth of its farm price support benefits. France, on the other hand, receives benefits almost identical in proportion to the amount of its payments.

France agrees that there is room for improvement in the CAP but opposes any major surgical changes in the system. For example, France would oppose any broad-scale effort to replace the

present price support with direct income subsidies to farmers, as some critics have suggested.

Whatever the outcome of these issues, France will certainly have a strong voice. Though France has a population of 53 million in a total area of only 213,000 square miles, it is Western Europe's biggest agricultural producer and trails only the United States in farm exports.

French agricultural exports in 1975 totaled \$8 billion. U.S. farm exports were much larger, totaling \$22 billion, but on a per capita basis France surpassed the United States. Over two-thirds of French farm exports go to the EC countries, with West Germany the largest market.

French farms produced commodities worth about \$27 billion in 1975, animal products accounting for 55 percent of total production, and crops for 45 percent.

The French agricultural sector's explosive growth since the early 1960's was, without a doubt, enormously stimulated by France's membership in the EC. It is no wonder, then, that French farm interests strongly oppose any major changes. The CAP assures a well-protected commodity market of about 260 million customers in the nine EC countries.

A comparison of French exports to the other original EC members (Belgium, West Germany, Italy, Luxembourg, and the Netherlands) during the first 3 years of the CAP (1962-64) with exports to the same area during 1972-74 shows that:

- Wheat exports rocketed from an annual average of 385,000 metric tons to an annual average of 3.5 million tons, nearly a tenfold increase;
- Corn exports jumped from an average 250,000 tons to 2.9 million tons annually, a tenfold expansion;
- Barley exports almost tripled, increasing from an annual average of 611,000 tons to an average of 1.9 million tons;
- Butter shipments increased from an average 14,500 tons to 34,500 tons annually, almost a 140 percent gain; and,
- Eggs sales rose from an average 2,600 to 12,400 tons annually, an increase of nearly 400 percent.

French gains are even more striking if exports to the enlarged EC—including the United Kingdom, Denmark, and Ireland—are included. The increases



Clockwise from above: Irrigating corn in France; picking apples in West Germany; and cattle munching feed in a modern German barn. The EC CAP has contributed to expanded farm output in the EC, but some members feel that the cost of the CAP programs is too high.

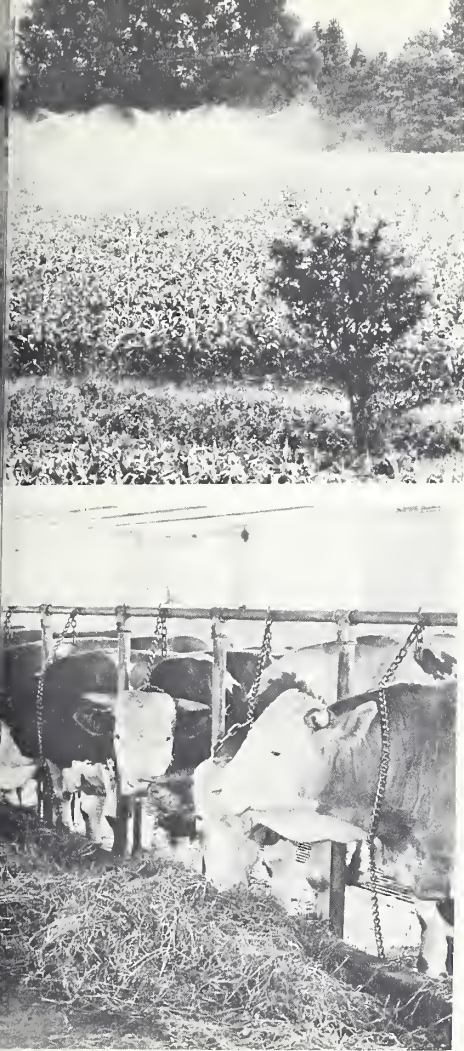


can be attributed partly to rising affluence in the Community; but more significant is France's increasing share of the EC farm market.

French agricultural growth has been fostered by other factors in addition to EC membership. These include the accelerated growth of real disposable income in Western Europe during most of the period; a vigorous French Government assistance policy; gains achieved through technological progress in agriculture; favorable natural and labor resources; and effective organization of French farmers, processors, and distributors.

French preeminence in the EC as a farm producer and exporter, then, is a key reason for France's strong—and often dominant—role in Common Agricultural Policy deliberations. Another reason is the French farmer himself, his organizations, and his relationship with the French Government.

Although farmers represent only 10 percent of France's total population, they wield substantial political influence.



In addition to the farmers themselves, France has major farm-input and food-processing industries whose livelihood depends on a healthy farm sector. The current coalition Government under Prime Minister Jacques Chirac (himself a former Minister of Agriculture) has consistently voiced its support for the farmer and its understanding of farm problems.

Within the limits imposed by an anti-inflationary fiscal policy, the State provides substantial direct assistance to agriculture. In 1974, an estimated 13 percent of total public expenditures went to the farm sector. This does not include farm price support and other payments coming from the EC's Agricultural Guidance and Guarantee Fund.

The French farmer has a direct voice in French agricultural policy—and indirectly in the Common Market's policy—through an effective network of organizations. Most important, from the standpoint of agricultural policy, are the Chambers of Agriculture; the National Federation of Farmers' Unions;

the Young Farmers' Organization; and the National Confederation of Mutuels, Cooperatives, and Credit Associations. All four have an official consultative relationship to the Ministry of Agriculture.

The democratically organized Chambers of Agriculture are designed to present the farmers' needs and problems directly to the highest levels of Government. A permanent National Assembly in Paris is composed of the presidents of 89 local Chambers, one from each of France's departments.

Eighty percent of the local Chambers' officers are elected by the farmers and the remainder by cooperatives and professional associations. Established by law in 1924, the Chambers are public agencies financed by taxes and subsidies. Their chief function is to provide the Government with the farmer's point of view.

The National Federation of Farmers' Unions, with 800,000 members, includes most of the local farmers' unions. It claims to represent the interests of

all farmers, large and small. The Young Farmers' Organization is an important member of the Federation.

All of these French farmers' organizations are vigorously committed to the CAP in its present form, although they may take exception to the way in which the Common Agricultural Policy is carried out in practice. They voice this support through conferences with Government officials, through publications, and the news media. In 1975, for example:

- The Chambers of Agriculture published a carefully documented study that defended the CAP in its main features and concluded that current problems are mainly due to nonagricultural factors, such as the EC's current shortcomings in energy, transportation, social, and regional policies and its delay in establishing an economic and monetary union. The report, "A Balance Sheet of the European Communities and the Common Agricultural Policy," provides the French riposte to many of the current criticisms of the CAP.

- A "European Days" Conference sponsored by the National Federation of Farmers' Unions, focused on farmers' fears that the CAP may be weakened or even destroyed. Top level officials assured the farmers that the French Government will make no concessions leading to fundamental changes in the CAP. The conference was held just prior to a December meeting of the EC heads of government, which was expected to make some decisions on a number of proposals formulated through the stocktaking process. However, action on agricultural matters was postponed.

- The annual meeting of Young Farmers, held in June, reaffirmed that group's commitment to the principles and rules of the CAP. The organization's president stressed the need for a strong defense of the CAP in the current General Agreement on Tariffs and Trade negotiations (Tokyo Round).

It is obvious that French agricultural interests are strongly committed to the Common Agricultural Policy in its present essentials. The French Government, in its organized dialogue with the farmers, clearly respects this viewpoint and can be expected to maintain a cautious stance toward any far-reaching changes of structure or emphasis in the CAP.

EC Farm Review

Continued from page 3

Criticism of the EC farm price policy was muted somewhat in 1974, when the CAP helped insulate the EC market from the rest of the world and percentage increases in EC food prices were lower than in the United States and Japan. Nevertheless, opposition to the systematic increase in farm prices has been mounting, especially in the surplus commodities. Consumers are now beginning to demand that their interests be taken more fully into account by EC authorities.

FOR INSTANCE, last fall the British Minister of Consumer Affairs advocated that before making any price recommendations the EC Commission should consult with consumer groups in the same way it does with farm organizations. (The Commission has estimated that a 10 percent increase in the farm support price causes a 1.9 percent increase in the cost of living.)

The principle of producer participation in market risks may prove very difficult to implement. In addition to generally mentioning producer participation in risk sharing, the Ministers also suggest it as one alternative for dealing with imbalances in the dairy sector. However, virtually everybody is reluctant to make concrete proposals, as disagreement abounds over how much producers should share in market risks.

These recommendations are largely concerned with long-term solutions for agriculture generally. However, the Ministers have also set targets for a number of commodities—including grains, beef, and dairy products—with the apparent implication that the EC should strive to fulfill the commodity goals in the more immediate future.

For grains, the aim is to improve price relationships among the various types of grain and to gear the price of nonbread wheat to that of other feedgrains. In the beef sector, surpluses—as well as shortages—must be avoided through adjustments in the support system. In the dairy sector, the market balance must be restored and excessive buildup of stocks avoided, either through improved market management and sales promotion, or through the adoption of new measures for the stabilization of production (such as a pricing policy less likely to generate surpluses, producer participation in market risks, and cut-

ting back on production capacity).

The Ministers of Agriculture will undoubtedly be guided by their position on the stocktaking when they examine the Commission's price proposals for the 1976/77 marketing year. In fact, there is a great deal of interaction between the Commission and the Ministers; the Commission had considerable influence in shaping the Agricultural Ministers' position on the stocktaking, while the Ministers' position influenced the formulation of the Commission's price proposals.

However, the submission of price proposals as such is not a direct part of the stocktaking process. Price proposals are made each year by the Commission to the EC Council of Ministers, and each year the EC Ministers of Agriculture make the final decisions.

Proposals for the 1976/77 marketing year were submitted by the Commission in mid-December 1975. The Ministers have begun debating them, but no final decision had been announced as of the third week in February 1976. (The next Ministerial meeting is scheduled for March 1-2.)

IN THE GRAIN sector, the Commission has proposed a 5.5 percent hike in the support price of barley, a 9.5 percent increase in the support price of corn, and a 5.8 percent reduction in the support price of soft wheat (but the support level of soft wheat of breadmaking quality would in fact be higher than in 1975/76). These proposed adjustments in feedgrain price ratios would bring down the support price of nonbread wheat and raise the support price of corn close to that proposed for barley of 117.04 u.a. per metric ton.

The proposed grain prices would be more in line with the nutritional value of the various grains. They would also bring the EC grain policy closer to the Commission's often-expressed position that the EC should set the same support price for all feedgrains (including nonbread wheat) and let the market determine their true relative levels. (Full alignment of all support prices of feedgrains would not be required until 1977/78.)

The proposed increase in the price of corn, with the concurrent change in its relationship to the price of other feedgrains, should stimulate EC corn production. It should also improve the competitiveness of feed wheat and barley

with corn as a feed ingredient—a development that will adversely affect U.S. exports. On the other hand, there may be less EC wheat available for export to third country markets. The EC became a net exporter of wheat for the first time in 1974/75 and is also expected to be a small net exporter in 1975/76. U.S. exports of corn to the EC were 11.1 million tons in 1974/75 and 9.9 million in 1973/74.

In the dairy sector, the Commission proposes subsidies for producers who agree to withhold some milk from the market for at least 5 years and meet certain other conditions. Replacement of the support price for nonfat dry milk (NFDM) with an orientation price, effective September 1976, is also recommended. Owing to the functioning of the proposed system, this could mean a lowering of the price paid by intervention agencies for NFDM after September 1976.

One of the most striking features of the dairy proposals is the recommendation for the obligatory incorporation of NFDM in animal rations other than calf feed. This 7-month regulation would dispose of 600,000 tons of NFDM (or more than half the present EC surplus) and displace approximately equivalent amounts of imported soybean meal and other protein feed, most of which comes from the United States.

In the beef sector, the price recommendations assume that market prices will be relatively high, and the Commission wants to encourage more private storage and less intervention buying. The Commission also proposes widening the spread between support and orientation prices and phasing out slaughtering premiums.

In a separate action, the EC has liberalized to some extent its import system for meat. Effective January 19, 1976, import licenses are available for beef and veal, certain other types of meat, and slaughter cattle weighing more than 300 kilograms, subject to the importer's purchase of bone-in frozen beef from EC intervention stocks. The system should encourage some imports of frozen beef for processing.

The Commission estimates that its price proposals for 1976/77 and related measures (such as the proposed feed mixing regulation) would result in savings to the EC of 79.5 million u.a. for grain, 149.2 million for dairy products, and 3.5 million for beef and veal.

Poultry Output Recouping From a Disappointing 1975

By MAX F. BOWSER

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FOLLOWING a difficult 1975 season, poultry meat producers are exhibiting signs of renewed optimism, including a prospective 4 percent jump in world poultry meat output this year. Less buoyant will be the increase in egg output—forecast to rise 2 percent in major producing countries—as this side of the industry cautiously makes its way back from last year's severe cost-price squeeze.

Whereas poultry meat producers spent much of last year's first half struggling to get out of the cost-price squeeze that gripped them in 1974, they are now seeing results of the expansion in chick placements that began last fall. Consequently, sharp gains are forecast for broiler and turkey production for the first half of 1976—but gains exaggerated by unusually low production during the comparable 1975 period.

For the full year, the advance may carry total world poultry meat production to 15.2 million metric tons from 14.6 million estimated for 1975. The increases anticipated for production of broiler and turkey meat are 4 and 6 percent, respectively, to 9.9 million and 1.4 million tons.

Posting the largest gain will be U.S. poultry meat production, forecast to rise 8-9 percent in 1976, while more modest advances are seen for Canada

and the European Community. Going against the trend, the USSR will see its production decline following a 13 percent leap in 1975, when drought drastically reduced feed supplies, forcing distress slaughtering of poultry and other livestock.

The last half of 1974 and first of 1975, by contrast, was a time of consolidation for poultry industries in much of the world as producers were hit by both the economic recession—with its dampening impact on demand for meat—and high feed prices. An added complication in the EC was a buildup in poultry meat stocks, which prompted stiff sales competition among member nations.

These problems continued through the first half of 1975, but by last summer profitability had improved and optimism returned to some quarters of the industry. At that time, feed prices were down substantially from those in the fall and winter of 1974/75, while product prices were up. In the United States and Canada, strengthening of these prices was aided by the sharp cut-back in pork output last year, plus the 1975 decline in North American poultry meat output—estimated down 2 percent to 4.8 million tons in the United States and off 11 percent to 420,000 tons in Canada.

World egg production also will be up in 1976—to a projected record of 294 billion eggs from 288 billion in 1975—but producers have hesitated to expand production in the face of reduced consumer demand for eggs. In the EC, for instance, placements of laying chicks during January-September 1975 were down about 3 percent from the same period of 1974, which means lower egg production for the first half of 1976. Most of the decline will be in Denmark, the Netherlands, West Germany, and the United Kingdom.

United States. Continuing the production resurgence that began late last year, total U.S. poultry meat production is forecast to rise 375,000 metric tons in 1976 to 5.2 million. U.S. broiler output may hit a record 4 million tons, while a near-record 870,000 tons is expected for turkey meat. Gains will be especially strong during first half 1976, with turkey meat output rising 15-20 percent over that of the similar 1975 period.

EGG PRODUCTION in the United States is forecast to rise fractionally in 1976 to around 64.8 billion. Most of the gain will be in early 1976, since layer numbers are expected to decline after Easter when large numbers of force-molted birds are removed from flocks.

Canada. Total Canadian poultry meat production is forecast at 447,000 tons in 1976—an increase of 27,000 tons or about 6 percent. Broiler production, the major component, is expected to rise 5 percent from 297,000 tons to 313,000, while turkey production is forecast up 15 percent to about 100,000 tons.

Japan. Encouraged by lower feed

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Above, French poultry products ready to ship, and left, collecting eggs on a Belgian poultry farm. These and other EC members today account for much of the world poultry trade.

BRAZIL'S 1975 AGRICULTURAL GAIN WAS BELOW TARGET

ADVERSE weather—together with weakening prices for a few key products—brought some agricultural disappointments to Brazil in 1975. Total farm output managed an advance, tentatively pegged at 4.5 percent, but this is well under the hoped for 7-8 percent, with a chance of being lowered later to around 3-4 percent.

Farmers have responded to 1975 setbacks with expanded 1976 plantings of major food and export crops. These moves have been encouraged by the Government, which is counting on expansion in key import crops like wheat, together with gains in export crops like soybeans and corn, to help reduce its large trade deficit. That deficit is estimated at \$3.6 billion for 1975.

Encouragement to farmers has been coupled with Brazilian restrictions on nonessential imports, portending reduced trade opportunities in the future for U.S. farm products in Brazil. At the same time, U.S. exporters of soybeans and other products in which Brazil is competitive can expect stiffening competition from Brazil in the world market.

Accentuating this export push are the below-target results of 1975, when exports were \$8.6 billion, against a goal of \$10 billion. Agriculture's share was down to 57 percent from 60 percent in 1974, for a dollar value of \$4.9 billion.

Actual export prospects for Brazil in calendar 1976 also are not particularly bright. Coffee export volume will be reduced by a small 1976 crop, although much higher world prices may boost export value to \$1.2 billion or more. More soybeans will be available for export in 1976, but lower world prices may keep earnings from surpassing the 1975 level. Earnings from sugar may plummet to half those of 1975 as a result of lower world prices and reduced exportable supplies. And cotton exports are expected to parallel the sharp decline seen for 1976 cotton output.

On the plus side, larger shipments of cocoa, cocoa products, and corn will be possible in 1976, with corn perhaps bringing \$150 million more in foreign exchange.

Brazil's agricultural imports last year were about \$800 million, down from \$1.4 billion in 1974, and accounted for about 7 percent of the total import bill. Wheat was by far the largest purchase, with 44 percent of the agricultural import tally, or \$354 million.

For 1976, Brazil again will be forced to import large quantities of wheat to supplement its small 1975 wheat crop, but other purchases will be hampered by mounting import restrictions. Among the restraints are increased duties and a 360-day prior deposit on imports of nonessential foods.

Last year's virulent weather hit hardest in the States of São Paulo, Paraná, and southern Mato Grosso. These key agricultural producers suffered the "frost of the century"—with consequent reductions in 1975 sugarcane, wheat, vegetables, and forage crops, plus a prospective halving of coffee output next year.

In addition, July floods in the Northeast cut into cotton, rice, tobacco, and corn crops while dry weather in some areas

and excessive rain in others also curtailed crop production.

Grain and feed. One of Brazil's biggest setbacks last year was in its all-important wheat crop (harvested October-November), now estimated at only 1.6 million tons or 70 percent under earlier expectations. Responsible for the crop failure was the July frost in Paraná and excessive rainfall during August-September in Rio Grande do Sul.

To make up for the shortfall, Brazil has turned to the world market for heavy imports of wheat. These have been forecast to hit 3.8 million metric tons in 1976, up 65 percent from last year's, with the dollar outlay estimated at \$530 million or more, against 1975's \$354 million. The United States is expected to supply at least 2.15 million tons of the wheat, compared with 1.85-1.95 million last year. Canada, Argentina, and Uruguay will supply most of the rest.

One result of the shortfall may be a surge in Brazil's 1976 wheat production. Seed reserves are sufficient for a 40-percent increase in area over 1975. And the Government will probably provide numerous incentives to boost production of this key import item.

Brazil's 1975 rice crop is estimated at 6.5 million tons (paddy)—1 percent above 1974's. Dry weather in the non-irrigated central States held down the production advance, despite an increase in area there and a 10 percent gain in production of irrigated rice in Rio Grande do Sul.

Considerable improvement over the 1975 level is seen for 1976, with output likely to reach 8-8.5 million tons.

Brazil had a mini rice crisis during the second half of 1975, as rice disappeared from the market and wholesale prices began to soar. The crisis has since passed, and Government officials are saying that rice exports are a certainty for 1976.

Production of corn—a rising export crop—is estimated at 15 million tons for 1975 and may hit 18 million in 1976. Corn area is up throughout the center-south from Goiás to Rio Grande do Sul, with weather generally favorable so far.

BRASIL'S 1975 corn exports are estimated at 1.2 million tons, with the USSR apparently the principal market. Shipments during 1976 are forecast at 2-3 million tons.

Sorghum output totaled a modest 483,000 tons in 1975. However, the Government hopes to establish this crop, especially in marginal corn areas, and as an incentive has raised the 1975/76 minimum price for sorghum up to parity with the minimum corn price. As a result, production is seen rising to 600,000 tons in 1976.

Production of dry beans—so important in Brazil that the country accounts for 20 percent of total world output—totaled an estimated 2,271,000 tons in 1974/75. A good first harvest points to a small increase in 1975/76 production.

The Government also may be exporting dry black beans—reportedly to Central America—this year since it has substantial stocks acquired through price support operations.

Oilseeds and products. Continuing its unabated growth of recent years, Brazil's 1975 soybean crop rose nearly 2.2 million tons above the 1974 level to a record 9.7 million metric tons. It thus stood at more than 30 times the 1964 production of about 300,000 tons, making Brazil the No. 2 soybean producer/exporter. Another strong gain, to 11.3 million tons, is seen for 1976, which will put this year's output almost 10 mil-

lion metric tons above production in 1970.

Brazil's soybean trade also continues to expand rapidly. Total shipments of soybeans and soybean meal during the 1975/76 marketing year (April-March) are estimated at 7.6 million tons, soybean equivalent, or 78 percent of the total 1975 crop. Last season, 79 percent of the 1974 crop was exported as beans or meal.

Soybean oil exports also are gaining in importance, and this year for the first time have not been subject to periodic Government embargoes. Oil shipments in 1975/76 are pegged at 250,000-300,000 tons.

Brazil's 1974/75 peanut crop is estimated at 350,000 tons, compared with 530,000 tons, in the previous year. This steady decline reflects a shift of area to other crops, mainly corn and soybeans. For 1975/76 a harvest of 360,000 tons is seen.

SHIPMENTS of shelled peanuts, peanut oil, and meal in 1975 are estimated at 55,000, 40,000, and 50,000 tons, respectively.

Brazilian castorbean production last year plummeted 48 percent from the 1974 level to 280,000 tons in response to early-1975 prices that were only half those received in 1974. Little change is seen for production in 1976.

Castor oil exports in calendar 1975 are estimated at 100,000 tons, compared with 156,822 the previous year, with export earnings down even more drastically.

Sugar. According to most recent estimates by Brazil's Sugar and Alcohol Institute (IAA), the 1975/76 sugar production (from the cane crop harvested in the second half of 1975) will fall well short of the original target of 7.5 million tons. This reduction comes as a result of the drought and frost in São Paulo and Paraná and heavy rains in Pernambuco.

IAA sources say, however, that 1976/77 sugar prospects so far are excellent.

Last year, Brazil shipped 1.7 million tons of sugar, for export earnings of \$1.05 billion—a reduction of 33 percent in volume and 26 percent in value from 1974's.

Coffee. For many years almost a synonym for Brazil, coffee is now literally giving ground to short-cycle, less risky soybeans. Last year's severe frost gave impetus to this trend, setting back Brazil's 1976 coffee potential by about 65 percent.

During 1975, considered an off year for coffee, Brazil produced 23 million bags, and the trees, prior to the July frost, were building up excellent vegetative growth, promising a potential 1976 harvest of 28-29 million bags. The few hours of freezing temperature last July, however, reduced these prospects to around 9-10 million bags, as frost affected about half of all Brazil's coffee trees. A normal coffee crop of over 25 million bags cannot be expected before 1979 or 1980.

Rising prices, on the other hand, will keep Brazil's export earnings from coffee high, despite reduced volumes. Coffee exports during calendar 1974 totaled 13.3 million bags earning \$980 million, while those in January-November 1975 were 13.1 million bags valued at \$818 million.

In the meantime, the Government is encouraging new plantings of coffee in the North and Northeast. The principal objective is to make these areas self-sufficient, so that more coffee from the South can be freed for export.

Cocoa. After coffee and sugar, Brazil's third most important

tropical-product export, cocoa production is estimated down to 237,000 tons in 1975/76 from 1974/75's high of 266,600.

With the long-term market outlook good for cocoa, Brazil is attempting to expand cocoa production. It hopes to put 300,000 additional hectares (1 hectare=2.471 acres) into cocoa during the next 10 years while replacing the 150,000 hectares now in cocoa with new higher yielding trees. The eventual goal is a harvest of 700,000 tons of cocoa beans by 1992, which would make Brazil the No. 1 exporter.

Shipments of cocoa beans and butter during January-November 1975 together earned around \$220 million in foreign exchange, compared with \$310 million in all of 1974.

Cotton. The calendar 1975 cotton crop declined slightly to 510,000 tons, following unfavorable weather in central and southern Brazil and a northeastern harvest that was below expectation for the second year in a row. The poor results, plus depressed world prices, discouraged fall 1975 plantings in the South—which produces 70 percent of the crop—pointing to a reduced 1976 crop of 442,000 tons.

Brazilian exports of lint cotton in 1975 are estimated at 100,000 tons, compared with the unusually low 83,160 tons of 1974 and the 282,867 tons of 1973.

Tobacco. Production of leaf tobacco, including twist, rose in 1975 nearly 15 percent to 286,000 tons, and another gain to around 302,000 tons is forecast for calendar 1976.

Brazilian shipments of tobacco in 1975 are estimated at 95,000 tons, compared with 91,415 the year before.

Fruits and vegetables. Commercial citrus production in Brazil last year reached about 4.4 million tons, with oranges accounting for 89 percent of the total. Exports of frozen concentrate orange juice totaled 150,846 tons during January-November 1975, compared with 80,689 in all of 1974. This sharp gain came as large quantities of 1974 exports were postponed until 1975.

To reduce foreign exchange outlays for deciduous fruits—most of which still must be imported—the Government is attempting to expand output in the States of Santa Catarina and Rio Grande do Sul.

Brazil's imports of apples totaled 169,000 tons, valued at \$66.8 million, in January-September 1975, with 162,000 tons supplied by Argentina. Argentina supplied most of the 32,000 tons of pears (\$14.2 million) imported during that period. The United States is also a major supplier of pears—accounting for 19 percent of Brazil's 1974 imports—but ships mainly in the last half of the season.

Livestock, dairy, and poultry. Brazil's cattle population—among the world's largest—expanded steadily during 1975 to reach 90-100 million head. Beef production also rose slightly, hitting 2.2-2.3 million tons last year.

Beef exports during January-November 1975 included 5,314 tons of fresh and frozen beef and 37,000 of processed beef. Shipments of fresh and frozen beef, lacking export markets, were thus down to less than a third of those in the 1974 period, while processed exports were up.

Among other livestock, pork production is estimated at 750,000 tons in 1975, against 725,000 in 1974, and poultry output rose to 480,000 tons (live weight) from 434,000.

—Based on dispatch from R. L. BEUKENKAMP,
U.S. Agricultural Attaché, Brasília

New Markets, Uses Sought For U.S. Tallow and Grease

By ABNER E. DEATHERAGE

*Foreign Market Development, Livestock and Livestock Products
Foreign Agricultural Service*

U.S. TALLOW and grease—usually the least expensive fat or oil in world trade and top U.S. livestock product export—is in trouble. A principal reason is a sharp falloff in exports, which for the past decade have fluctuated around 45 percent of annual U.S. production.

However, a number of opportunities for increased exports are in sight, including some promising new uses for tallow in detergents and animal feed.

In 1975, U.S. tallow and grease exports totaled 2 billion pounds, valued at \$332 million. This was the lowest volume since 1963 and represented only 40-43 percent of the estimated 4.75-5.20 billion pounds produced in the United States that year. This compares with record exports in 1974 of 2.7 billion pounds—43-46 percent of estimated production—worth \$540 million. In 1973, exports totaled 2.3 billion pounds—about 44 percent of estimated production—and were worth \$310 million.

A number of factors contributed to the relatively poor export performance in 1975. One was economic downturns in many foreign countries, particularly in Western Europe, Japan, Korea, and India—long-standing major export markets for U.S. tallow and grease. A second factor was the increasing impact of classification and certification changes in import regulations in some principal foreign markets.

Import tariffs, quotas, foreign exchange allocations, and other restrictions also limited U.S. tallow and grease exports to many countries. In Indonesia and the Philippines, for instance, 40 and 30 percent duties, respectively, on tallow imports are designed mainly to protect local vegetable oil producers. India almost totally restricted foreign exchange spending for tallow and grease during 1975. Additionally, an uptrend in West European tallow and grease output, and an apparent bulge in Japan's 1975 grease output limited their dependence on foreign products. Australia increased its share of Japan's tallow imports in 1975, mainly at U.S. expense.

Finally, exports of competitively priced palm and coconut oils increased dramatically during 1975, particularly to long-standing major U.S. export markets. Palm oil, which is chemically more similar to tallow and grease than are other important fats and oils, has now become a permanent significant source of competition in tallow and grease markets. Coconut oil—long a limited but significant competitor of tallow and grease—is also expected to be more competitive in 1976.

In spite of the falloff in U.S. tallow and grease production in 1975—from the estimated record 5.7-6.2 billion pounds in 1974 to an estimated 4.7-5.2 billion pounds—prices also moved lower. This was a direct result of the sharp decline in U.S. exports, coupled with a modest reduction in domestic consumption. Fancy, bleachable tallow, wholesale at Chicago, for instance, fell from an average 15 cents per pound in 1973 and 18.4 cents in 1974 (the alltime record in absolute terms) to an average 14.2 cents in 1975. Of course, inflation adjustment of these prices makes the drop even greater.

INTERESTINGLY, the 1918 average Chicago wholesale price for inedible tallow, in absolute terms, was 17 cents per pound and the 1916-20 average was 13.

Tallow and grease production costs, however, have continued to increase. This, combined with recent product price declines, has resulted in a cost-price squeeze for tallow and grease.

Renderers' costs jumped sharply in 1974 and 1975 owing to the quantum price rise for fuels and other energy—a substantial portion of this industry's costs. Plant operation changes required by new air and water pollution regulations also pushed costs up, as did the reduced supply of "butcher shop" fat trimmings in 1975.

This fat trimming supply squeeze was a result of sharply curtailed grain and protein concentrate feeding of livestock during 1974/75. Also, trimmings previ-

ously used for tallow and grease were frequently mixed with the greater volume of lean, nonfed beef to make ground beef and other manufactured meats. The greater volume of lean beef resulted from the record cow and non-fed steer and heifer slaughter in 1975.

The tight supply of fat trimmings brought keen price competition for them and for other fat raw materials. And, adding further to costs, the 1975 supply of fat trimmings yielded significantly less tallow and grease per pound since moisture content was high, owing to the reduced grain and protein concentrate feeding.

BUT THE relatively small but important U.S. rendering industry—recyclers of most animal byproducts—has a long history of finding solutions to its problems. Although these current problems are not likely to be solved quickly or easily, some changes are now underway that should assist the industry in its efforts.

A decline in grain prices in recent months has triggered a strong return to more grain feeding of livestock, especially of cattle, which provide the largest component of tallow and grease production. Increased feeding is expected to continue as long as livestock-feed price relationships remain favorable. Higher feeding rates in 1976 could mean a significant increase in U.S. tallow and grease output—up perhaps 5-10 percent from the 4.7-5.2 billion pounds produced in 1975.

One of the most pressing questions now confronting the U.S. rendering industry is whether these livestock-feed price ratios continue to encourage more grain feeding of livestock. This is because, in modern times, tallow and grease raw materials have strictly been byproducts and their production has had little or no relation to product price.

In any case, substantial domestic sales effort for tallow and grease will need to continue, and some cost-cutting production techniques will likely be employed by renderers.

At least three factors, however, indicate that the industry's main need in the next few years will be to recoup much of the 1975 export losses. These are: The outlook for increased 1976 U.S. tallow and grease production, expectations of only modest recovery in domestic demand, and new competition for this demand from the sharply increasing U.S. imports of palm oil and

U.S. EXPORTS OF INEDIBLE AND EDIBLE TALLOW AND GREASE ¹

Countries	Average 1967-71	1971	1972	1973	1974 ²	1975 ³
Europe:	Mil. lb	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Netherlands	—	195.4	148.5	254.5	186.8	71.4
United Kingdom	—	61.6	47.6	62.7	107.8	51.5
Italy	—	61.5	97.6	83.3	119.8	65.2
West Germany	—	43.1	41.9	87.9	69.4	39.9
France	—	22.3	8.8	35.9	37.0	7.3
Belgium	—	78.1	99.4	70.7	31.8	31.7
Ireland	—	4.7	2.9	2.8	—	—
Spain	—	139.5	180.0	123.2	83.2	84.9
Other Europe ⁴	—	63.2	54.7	50.3	62.7	138.5
Total	593.5	669.4	681.4	771.3	698.5	490.4
Asia/Mideast:						
Japan	—	400.1	372.4	468.8	363.8	160.0
Korea	—	161.7	179.4	195.6	213.2	168.0
India	—	336.4	87.0	37.0	108.2	—
Pakistan	—	91.0	83.0	58.4	57.1	112.5
China (Taiwan)	—	25.8	44.5	39.3	46.1	54.3
China (PRC)	—	—	—	6.9	39.9	—
Iran	—	33.5	45.0	45.7	68.1	33.0
Iraq	—	9.9	3.4	4.9	12.9	11.0
Turkey	—	50.5	48.2	—	10.2	23.4
Lebanon	—	5.3	15.4	11.6	13.0	18.2
Other	—	63.8	69.6	61.4	68.5	49.0
Total	1,068.9	1,178.0	947.9	919.6	1,001.0	632.4
Africa:						
Egypt	—	125.6	144.7	142.4	214.8	231.9
South Africa	—	16.0	25.8	32.8	59.1	8.3
Algeria	—	45.4	53.8	41.9	52.0	55.0
Ghana	—	36.5	39.7	6.8	8.4	26.6
Nigeria	—	2.7	10.6	4.9	15.0	45.9
Other	—	58.9	68.1	58.8	69.3	46.2
Total	260.5	385.1	342.7	287.6	418.6	413.9
Western Hemisphere:						
Canada	—	21.3	20.9	13.8	26.1	16.8
Mexico	—	39.5	10.9	57.8	108.3	68.1
Brazil	—	70.4	47.2	54.9	137.2	91.0
Colombia	—	80.7	73.3	53.6	66.9	67.5
Ecuador	—	25.7	18.3	5.5	31.6	43.8
Venezuela	—	22.1	27.7	18.7	34.3	29.6
Other ⁵	—	223.1	197.8	125.9	160.3	166.0
Total	330.5	482.8	396.1	330.2	564.7	482.8
Total world	2,253.6	2,616.0	2,368.2	2,319.2	2,685.2	2,019.5
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Total world value	172.4	232.7	188.4	313.5	540.0	331.8

¹ Includes edible tallow, inedible tallow, choice white grease, edible lard/oleo oil and stearines, inedible lard/oleo oil and stearines, unrendered fats, and miscellaneous animal fats, oils, and greases. Total for edible tallow, inedible tallow, and choice white grease averages about 98 percent by volume and 95 percent by value of the seven-category totals.

² Preliminary. ³ Estimated. ⁴ Includes USSR (imported only in 1975, at 88 million pounds) and East Europe.

⁵ Mostly Central America and Caribbean, of which largest volumes are to Dominican Republic, El Salvador, and Guatemala at 15-25 million pounds each.

Renderers Association (NRA) to increase the use of tallow in milk-replacers—a natural milk substitute that allows early weaning of animals.

Some of the countries currently viewed as the best prospective "new" markets are Iran, Iraq, Saudi Arabia, Turkey, and a few other Mideast countries; Nigeria, Ghana, South Africa, Kenya, the Sudan, Algeria, and Morocco in Africa; Venezuela, Brazil, Colombia, Ecuador, and several Central

American and Caribbean countries.

Significant new trade opportunities are also possible in Singapore and some other Southeast Asian countries, especially if high import tariffs moderate or are removed. And the Soviet Union and the People's Republic of China opened somewhat their tallow and grease markets to U.S. exports in recent years.

On-the-spot market surveys in most of these prospective new market countries, and a few older ones, are planned

perhaps a few other vegetable oils currently in abundant world supply.

A reasonable goal in 1976 would be to regain half or more of the 700-million-pound (\$208 million) export loss that occurred between 1974 and 1975.

Roughly the same situation exists for animal protein meals like meat and bone meal, feather meal, blood meal—other major products of the rendering industry. Currently, these are largely marketed domestically. Stepped-up export promotion could sharply raise their export level, which fell from 129,000 tons worth \$22 million in 1973 to 78,000 tons worth \$15 million in 1974 and to 44,000 tons worth \$6.5 million in 1975.

U.S. tallow and grease exports took on substantially more importance in the early 1950's—rising from a fourth of U.S. production in 1950 to the 45 percent level by the mid-1960's. Exports have remained near this level ever since, although they were off some in 1975.

THE EXPORT rise was one of the U.S. industry's principal solutions to the rapid loss in the early 1950's of its major sales outlet—tallow in U.S. soap production. At present, the export market again appears to offer a solution for dealing with the current difficulties.

In recent months, the U.S. rendering industry has initiated strenuous efforts to recover its share of older, major export markets. At the same time, efforts have been directed at finding geographically new markets and building older, but small, markets into major outlets.

These efforts include greater technical servicing of customers regarding product characteristics, quality control, and reducing handling losses. New research developments are being moved into commercial use more rapidly, and research is being stepped up. Also favorable development regarding classification, certification, and import restrictions in some countries are being actively sought for both the near- and mid-term future.

In the search for new export markets, the effort will be directed mainly at promoting the use of tallow and grease in toilet soap, at industrial uses, and toward increasing use in animal feeds in regions such as the Mideast and Africa, which are adding new emphasis to building livestock and poultry industries. One promotion includes a relatively recent marketing effort by the National

during the next several months.

Egypt is the only older major market where U.S. exports are still holding up well, owing partly to U.S. Government financial assistance. However, medium- and long-term potential for further growth on a commercial basis appear strong in this market.

In the older major markets in Europe and Asia, the U.S. industry is counting on a general economic recovery to help revive demand in 1976 and beyond. Also, some success is probable regarding modification or other resolution of the classification and certification problems.

In the next year or so, however, general economic recovery in these markets will probably not be sufficient to boost demand much. The industry's expected needs are for regaining markets for a hundred million pounds per year in 1976 and 1977 exports. Other factors that may limit recovery of exports to these older major markets are an expected continuation of the uptrend in West European production of tallow and grease and Japan's apparent considerable increase—at least temporarily—in hog grease output.

World tallow and grease production may rise a little in 1976, with some increases expected in competitor countries such as Canada and Australia. But the increased supply of vegetable oils, especially palm oil, will probably offer a greater competition.

Palm oil is expected to be more of a competitive factor in the older major markets than in prospective new ones, owing to technical processing and trading patterns. Some large Japanese and European buyers and processors of tallow and grease have invested heavily in palm oil production in Malaysia, West Africa, and other areas. The current palm oil glut can be traced back over a decade when increases in palm tree plantings accelerated substantially, especially in Southeast Asia.

This year, U.S. export efforts in older major markets will stress promotion of tallow and greases in animal feeds, including milk-replacers. Efforts will also be aimed at promoting new research developments regarding tallow in animal nutrition, as well as certain industrial and chemical uses, including a recent research development of a new concept for using tallow in soap-based detergent.

This concept is essentially the modification of tallow soap by adding a lime-

soap dispersing agent (a class of cleansing agents derived from tallow) and a builder (inorganic compound) to make the soap an effective and biodegradable cleanser in hard water at either low or high temperatures.

This concept was developed at USDA's Eastern Regional Research Center (ERRC) at Philadelphia. Important research support was provided by the Fats and Protein Research Foundation, as well as by NRA, both of Des Plaines, Illinois.

So far, these new tallow soap-based detergents show promise as renewable-resource substitutes for phosphates and petroleum-based detergents. They appear to have good potential for gaining a considerable part of the powdered and liquid detergent market in Japan, Western Europe, and some other U.S. export markets. In an effort to put the ERRC research to practical use, FAS and NRA jointly sponsored and arranged for ERRC scientists to travel to Europe and the Far East to present the results of their research to detergent industry leaders and to obtain their information and reactions.

LAST APRIL, Dr. Gerhard Maerker, Chief of ERRC's Animal Fat Product Laboratory, described the new product to 10 research and manufacturing organizations in West Germany, the United Kingdom, Yugoslavia, Italy, Spain, and France. Most were highly interested, said Maerker, and several companies expressed the desire to undertake exploratory evaluations of soap-based detergents or laundry soap bars. ERRC will provide further technical help and consultation, if needed.

The new soap-based detergent has also sparked considerable interest in the Far East. In May 1973 Dr. Maerker described the new concept and product to industry leaders there. One Japanese firm that he contacted subsequently visited ERRC to study this process further.

In May and June of 1975, Dr. W. M. Linfield, research leader at ERRC, traveled to Japan, Korea, and Taiwan to follow up by describing the most recent developments in this ERRC research to all major soap and detergent industry representatives. In Japan particularly, says Linfield, the ERRC detergent research was received as a very timely development, and several companies showed keen interest in trying to develop it commercially.

Reportedly, the Japanese detergent in-

dustry has received complaints about the slow rate of biodegradation of the phosphate and petroleum-based detergent and incidents of skin irritation.

On September 30, 1975, two Japanese firms jointly announced they would begin commercial production and marketing of tallow soap-based detergent formulations, which had been derived from ERRC research results, promoted by NRA. According to press reports, the companies claim such benefits as elimination of pollution and skin irritation problems, increased cleansing powers, and easier rinsing. If this marketing effort proves successful and spreads to other areas, tallow soap-based detergents could provide a substantial outlet for U.S. tallow in the medium-term future.

Currently, few commercially produced detergents contain any tallow soap or tallow derivatives. And—except for the new development in Japan—are formulated differently than in the ERRC concept. Major ingredients in the current commercial detergents are petroleum derivatives and phosphates, which in the ERRC formulations are replaced by tallow-soap and tallow-derived chemicals.

Each year, several billion pounds of detergents, household and nonhousehold, are produced commercially in foreign U.S. markets, and U.S. production is about the same volume. However, the best opportunities for application of the ERRC research results are in foreign markets.

Continued marketing success for this tallow-soap detergent could bring some shifts in tallow utilization by the U.S. export and domestic sectors, as well as in major tallow end-use categories. In time, this might also significantly affect overall animal and vegetable oil demand and end uses.

Such prospects present a major challenge, in both the near- and long-term to the U.S. rendering industry.

Opportunities are also reasonably good for increasing nondetergent use in the "new" and old export markets. If these challenges can be at least substantially met, the rendering industry's profitability should improve, which in turn should allow some measure of price strength for U.S. livestock—without raising retail meat prices to consumers—while aiding the U.S. balance of payments. Some countries might also enjoy ecological benefits.

Morocco's Early Vegetable Trade Outlook Appears Static

By FRANK J. PIASON
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MOROCCO has long been one of the leading suppliers of early vegetables² to Western Europe, but its overall exports of those products have remained in substantially the same volume range since the early 1950's. The outlook is not encouraging for any improvement.

Morocco apparently is in danger of losing some of its trade advantages with the European Community. Renegotiations of the association agreement between the EC and the Maghreb countries (Morocco, Algeria, Tunisia) have reportedly stalled as the EC has attempted to place a strict import calendar on Moroccan early vegetables and citrus. The EC wishes to protect Italian and French production primarily, and also Spanish, Greek, and Israeli exports.

Such an import calendar as the one proposed by the EC would not only require radical reorganization of marketing efforts by the Moroccan Ministry of Agriculture and by the Exporting and Marketing Office (OCE), but also would diminish the preferential customs and tariff advantages that Moroccan farm exports to the EC have enjoyed until now.

Morocco does not object to the calendar principal, but is insisting on maintaining at least its present level of advantages. Morocco has invested heavily in producing vegetable and citrus varieties that are preferred by European consumers, and are harvested at times when the EC does not have the EC-produced products on its markets. Morocco has also asserted that it can provide EC consumers with strawberries, squash, and other vegetables at a low price.

The inelasticity of Morocco's early vegetable exports that stretches back nearly two decades continued in 1974/75. Export sales last year totaled 231,000 metric tons, 2 percent less than

1973/74 shipments and 5 percent below the 1970-75 average. Inflation swelled export value 87 percent in 1974/75, to \$116 million, despite the volume drop.

Morocco reached its highest volume of exports of early varieties back in 1964/65, when it shipped 286,000 tons to markets abroad.

There are several reasons for the lack of improvement over the years. One is a matter of timing. Major European customers import 60-70 percent of their early vegetables between November and April, but Moroccan vegetables are generally not ready to ship until May. By the time the OCE pours the bulk of Moroccan early varieties into EC markets, primarily France, there is already stiff competition from local producers.

In the meantime, other Mediterranean, African, and Latin American producing countries have been busy with early variety development programs, and have boosted their own sales.

Production and export costs that are rising faster than profits are another factor in Morocco's static early vegetable trade. Domestic producers estimate that the cost of raising potatoes has risen 60 percent in the past 3 years, and that of tomatoes about 40 percent.

Especially in the case of tomatoes, growers have curtailed their production for export. The early vegetable industry in Morocco involves about 8,000 minor growers, who use 60,000-75,000 acres of farmland, and about 150,000 workers in operations from production to marketing.

Morocco's relatively poor showing in international markets is also partially because of its failure to develop improved vegetable varieties to keep up with those of its competitors.

Another factor is the outdated production and marketing techniques that are still being used for some produce that once had a promising future.

In view of Morocco's overall situation, the OCE intends to pursue a policy stressing preservation of its present ex-

port markets for early varieties. It will probably concentrate on maintaining early tomato exports at about the 175,000-ton level—1974/75 shipments were 150,000 tons—and early potato shipments at 80,000 tons.

High production costs restrained the volume of sales of other vegetables in 1974/75 to about 2,000 tons, which is approximately the level at which they are expected to remain over the next few years.

The long-term outlook is not very bright. The possible loss of trade advantages with the EC and increased competition from other developing countries, especially in the Mediterranean area, will not improve Morocco's competitive position.

Moroccan exporters are hoping, however, to reduce their heavy dependence on sales to France by boosting shipments to West Germany, the United Kingdom, and Scandinavia.

On the domestic side, observers feel that increased attention to improving production and marketing techniques could help Morocco to exploit better its strong potential as a vegetable exporter.



Moroccan farmgirl shows off tomatoes crated for export to Western Europe.

¹The author was Acting Agricultural Attaché in Rabat when the article was written.

²Morocco's major early vegetables include tomatoes, potatoes, string beans, peas, asparagus, and artichokes.

Spain Expects Larger Crops In 1976, Weather Permitting

BOTH Spain's agricultural production and trade in most farm products are expected to increase moderately during 1976.

To maintain anticipated crop production levels, however, will require substantial rain. In 1975, prolonged drought held down outturns of most crops, especially in the southern half of the country.

Spain's import demand for agricultural products in 1976 will depend heavily on the degree of reactivation of the country's economy and domestic farm output.

The outlook for Spain's 1976 production and trade in key commodities follows:

Grain and feed: Largely because of increase in support prices, wheat production is expected to increase marginally, and small quantities of soft wheat and/or flour could be exported. Increased wheat area will be partly at the expense of barley and corn acreage, thus resulting in a somewhat smaller feed-grain harvest.

Import demand for bread grains is expected to be limited to relatively small quantities of hard wheat. Small amounts of soft wheat and/or flour could be exported. Imports of feedgrains will likely be somewhat larger than those of 1975. In 1975, U.S. grain exports (mostly corn) to Spain were valued at \$415 million, compared with \$280 million in 1974.

Pulses: Production is expected to continue decreasing. Because of this anticipated lower level of output and higher domestic production costs, imports are likely to increase in 1976 over 1975 levels.

Oilseeds: Setbacks in oilseed production in 1975, particularly in sunflowers, are likely to discourage farmers from planting an equally large acreage. As a result, outturns are expected to be lower in 1976 than in 1975.

Because of projected higher poultry and egg production, demand for protein meals is likely to experience a corresponding gain in 1976, and import demand for soybeans and soybean meal is expected to exceed the 1975 level. In 1975, U.S. exports of soybean cake to

Spain were valued at \$19 million, compared with \$7 million in 1974. U.S. exports of soybeans to Spain in 1975 were valued at \$254 million, compared with \$338 million in 1974.

Cotton: The good yields obtained in 1975 and improved production practices are expected to stimulate production moderately in 1976. In view of this assumed increase and the effect of the recession on cotton use, imports probably will be smaller in 1976 than in 1975.

Tobacco: Production is expected to remain at about the 1975 level. Because of expanded domestic processing requirements, imports of leaf are likely to increase in 1976. Cigarette imports are expected to gain marginally over 1975 levels. In 1975, U.S. exports of leaf and bulk smoking tobacco to Spain were valued at \$16 million, compared with \$13 million in 1974.

Fruits and vegetables: Production is expected to increase marginally over 1975 output levels.

Sugar: Production of sugarbeets is projected to increase under the influence of higher prices. Because of this expanded domestic output, imports probably will be smaller in 1976 than in 1975.

Dairy, livestock, and poultry: Tenuous pasture conditions may play an important role in dairy and red meat output during 1976. The December rains were insufficient to restore drought-affected pastures. If rainfall does not come in ample amounts over the next several months, cattle farmers will be forced either to increase their use of feedgrain or further adjust animal numbers downward.

If conditions are satisfactory, production of red meat can be expected to be at the same or slightly higher level than in 1975 because of steady domestic consumption and the possible continuation of the beef support prices that caused farmers to increase their slaughter rate in 1975.

Higher hog prices should encourage increased production during 1976. Any increase in sheep meat production will have to originate in heavier lamb carcasses, for the declining trend in total

inventory numbers through wool depreciation is likely to continue.

Increased poultry and egg production may be attained to satisfy strong domestic demand.

Unless the pasture situation improves in the spring, any increase in cow's milk production will most likely be predicated on earlier weanings.

Import demand for meat, meat products and poultry products is likely to be sluggish during 1976. Imports of fresh milk probably will continue at 1975 levels. Economic problems are likely to reduce import demand for hides and skins. Imports of tallow are expected to hold at about the 1975 level. In 1975, U.S. exports of tallow to Spain were valued at \$12 million, compared with \$15 million in 1974.

According to Spanish customs data, imports of principal agricultural commodities from the United States totaled the equivalent of about \$662 million in the first 9 months of 1975, a decline of about 2.5 percent from the corresponding period of 1974. Corn and soybeans accounted for about 84 percent of these imports.

SPAIN's exports of farm commodities to the United States in the first 9 months of 1975 totaled the equivalent of about \$82 million, down nearly 27 percent from year-earlier levels. Most of these exports consisted of table olives, canned vegetables, vermouth, wine, paprika, and olive oil.

Spanish imports of agricultural commodities from the European Community declined about 10 percent in the first 9 months of 1975 from the level of the corresponding period of 1974.

With the exception of almonds, sugar, and cheese, no major buildups or depletions of stocks occurred in Spain during 1975. Almond stocks at the beginning of the 1975/76 season (estimated at a record 21,500 metric tons, shelled basis) were more than four times the quantity on hand at the beginning of the 1974/75 season.

Sugar stocks at the beginning of the 1975/76 season, exclusive of stocks in the supply pipeline, were relatively small—66,000 tons, compared with 91,000 tons on July 1, 1974.

Cheese stocks increased from 37,000 tons to 50,000 tons from 1974/75 to 1975/76.

—Based on report from

CLARENCE L. MILLER,

U.S. Agricultural Attaché, Madrid

Turkey Harvests Large Wheat Crop

Turkey's 1971 wheat crop—favored by good weather, better seed, and improved farming methods—is now estimated at 11.5 million metric tons, 3.2 million tons greater than the year-earlier harvest and is a record crop.

Turkey may export some wheat this year, which would be a dramatic turn-about from the country's grain position in 1975, when slightly more than 1 million tons of wheat were imported.

The 1975 rice crop, although significantly higher at 156,000 tons than 1974's 145,000 tons, is insufficient to cover domestic needs and imports during the 1975/76 marketing year of about 40,000 tons are forecast. In 1974, Turkey bought about 60,000 tons of rice from the People's Republic of China. Of this purchase, about 11,000 tons were imported during 1974 and the balance during 1975.

Production of chick peas and dry beans in 1975 amounted to 160,000 tons and 140,000 tons, compared with 1974's harvests of 195,000 tons and 145,000 tons, respectively. Production of lentils rose to 130,000 tons in 1975 from 1974's 120,000-ton level.

The coastal regions of Turkey were not wheat-producing areas until high-yield varieties were introduced several years ago. Now almost all these new wheat areas in the coastal regions (about 10 percent of the total wheat acreage) are planted to high-yield varieties—mainly Mexican, Italian, and French.

In addition to these, other high-yield wheat varieties such as bezostaya (Russian) and some improved local seeds are used in the Anatolian Plateau and in

Thrace. Total acreage of high-yield varieties is about 25-30 percent of Turkey's total wheat area. However, all of Turkey's wheat area is now sown to various types of improved seed, with some 25-30 percent of the wheat area in high-yield varieties.

Government wheat purchases of the 1975 crop have reached about 2.4 million tons—a record and an indication of the large size of the crop. Some officials have mentioned the possibility of exporting a small amount of wheat, but there has been no official announcement on the subject. Export of about 100,000 tons during the current marketing year

is considered to be a possibility.

The Government has purchased about 613,000 tons of barley, 90,000 tons of rye, 9,000 tons of oats, and 3,000 tons of corn. Corn purchases may reach 40,000 tons.

A large increase in barley production during 1975 has encouraged the Government to export some of its stocks, and total barley exports may amount to about 100,000 tons during the current marketing year. About 25,000 tons of rye are likely to be exported.

—Based on report from
*Office of U.S. Agricultural Attaché,
Ankara*

World Weather Watch

Because of persistent dry weather, the U.S. Great Plains continues to be a major agricultural trouble spot. In the USSR—mostly the southeast winter wheat areas—potentially damaging cold in early February caught some of the crop with little or no snow cover. In general, though, snow cover has been above normal.

Winter rains have been sparse in Malaysia, India, and Sri Lanka; only a few isolated spots received any significant moisture. Widespread storms and floods ravaged major crop areas of South Africa and Lesotho.

Unseasonable warmth and continued dryness increased stress on Hard Red Winter wheat and other crops in much of the central and southern U.S. Great Plains. Heavy precipitation in early February brought considerable relief to crops in much of the U.S. southwest.

Above average midwinter snow cover in the USSR protected winter grains against the cold. However, the southeast portion of the winter wheat region experienced potentially damaging cold in early February and snow cover was briefly inadequate in part of the area. Snow depth increased considerably in most of the spring wheat region.

January rains benefited winter wheat in parts of Pakistan. India's northern wheat region, though, had only isolated areas of worthwhile rain. Elsewhere in India, Sri Lanka, and Malaysia, the prolonged dry spell caused much concern for crops.

Adequate winter rains sustained

grains in most of the western Mediterranean region, despite extended periods of dry weather. Conditions have been excellent for winter wheat in Turkey and improved in Syria.

In eastern Europe wintering crops received above normal precipitation and snow cover appeared adequate during spells of cold weather. Although there has been little snow cover, temperatures remained relatively mild in western Europe, where heaving from freezing and thawing poses the biggest threat to crops.

Temperatures moderated from early winter cold in the southern People's Republic of China, favoring growth and development of crops. Winter wheat in the north was exposed to typical cool, dry midwinter weather and precipitation is needed.

In the Southern Hemisphere, February rainfall reduced stress on crops in much of northeast Brazil. Elsewhere in Brazil, especially in the major agricultural areas of the south, a balance of rain and sunshine benefited crops. Generous January rains arrested decline of Argentine crops and provided moisture to sustain surviving crops through relatively dry weather so far in February.

Weeks of persistent heavy rains and flooding caused extensive damage to crops in South Africa, especially corn and sorghum, and threatens crops in Lesotho.

Similar weather damaged soybeans and sunflowers and caused problems for cotton in Australia.

—By WILLIAM J. CREMINS, FAS

New Vegetable Circulars

FAS data on world production of and trade in fresh and processed vegetables that formerly were available in the monthly report *World Agricultural Production and Trade* (discontinued January 1976) now are available in a new series of FAS circulars, FVEG-C.

Those who wish to be included on the new mailing list, FVEG-C, should send requests, in writing, to FAS Information Services, USDA, Room 5918-S, Washington, D.C. 20250.



First Class

Poultry Output Recouping

Continued from page 7

prices and stronger demand for poultry meat as a pork substitute, Japanese producers have boosted chick placements since the summer of 1975. As a result, Japan's total poultry meat production is forecast to rise about 5 percent to 777,000 tons in 1976. The dominant broiler industry will account for 640,000 tons, also up about 5 percent.

High Japanese prices for beef and pork sparked expanded consumption of chicken last year, resulting in record-

High Japanese prices for beef and price for broiler meat in Tokyo on October 15, 1975, for instance, was the equivalent of about 53.8 U.S. cents per pound, compared with a high of 48.9

U.S. cents in 1974.

Japan's 1976 egg production is expected to rise about 3 percent to 30.3 billion eggs from 29.5 billion in 1975, despite the dampening effect of a production adjustment program to freeze the flock size of producers with over 3,000 birds. Japan is the world's fourth largest egg producer after the United States, the Soviet Union, and the EC.

European Community. Total EC poultry meat production is expected to rise about 3 percent to 3.3 million tons in 1976, with all EC countries recording some increase in output. Egg production is forecast to decrease slightly to 63.3 billion eggs in response to lower output in Denmark, West Germany, the Netherlands, and the United Kingdom. France, however, will offset some of this

decline with an expected 3 percent increase in its egg production.

About two-thirds of EC poultry meat is from broilers. France is the leading broiler producer in the EC, with Italy and the United Kingdom close behind. Combined, the three account for around 70 percent of EC broiler output.

Italy and France, with the United Kingdom a close third, are also the largest EC turkey meat producers. The three together account for about 90 percent of the still relatively small EC output.

Much of the world trade in poultry meat is carried on by the EC, which boasts over two-third of all poultry product imports and 80 percent of exports.

A large proportion of this is intra-Community trade. About 90 percent of Dutch poultry meat exports goes to other EC countries. In Belgium-Luxembourg, 96 percent of poultry meat imports and 90 percent of exports originate in or are destined for other EC countries. West Germany gets about 87 percent of its poultry imports from other EC nations. About half the trade of Italy, France, and Denmark—and all that of Ireland and the United Kingdom—is in the EC. Much the same situation is true for EC trade in eggs.

Soviet Union. The severe drought in the Soviet Union last year altered the USSR poultry meat outlook for 1975 and 1976. Poultry slaughter in 1975 ran higher than earlier expected, and reduced total inventories resulting from heavy slaughter will probably have to remain for at least the first half of 1976.

Actual Soviet poultry meat production is tentatively estimated at about the 1974 level and 12 percent under 1975's. The Soviets simply will not be able to expand their poultry production until some new-crop grain is available.

TOTAL POULTRY MEAT AND EGG PRODUCTION
FOR SELECTED COUNTRIES, 1975¹ AND 1976²

Country	Total poultry meat production		Percent change	Eggs		Percent change
	1975	1976		1975	1976	
	1,000 metric tons	1,000 metric tons	Percent	Million eggs	Million eggs	Percent
Canada	420	447	+ 6.4	5,400	5,340	- 1.1
Mexico	293	309	+ 5.5	7,365	7,622	+ 3.5
United States	4,825	5,200	+ 7.8	64,188	64,800	+ 1.0
Argentina	321	283	- 11.8	3,300	3,270	- .9
Brazil	380	410	+ 7.9	6,000	6,000	0
Peru	108	120	+ 11.1	1,200	1,230	+ 2.5
Venezuela	132	140	+ 6.1	1,738	1,816	+ 4.5
Belgium-Luxembourg ..	102	105	+ 2.9	3,600	3,700	+ 2.8
Denmark	88	93	+ 5.7	1,290	1,150	- 10.9
France	816	826	+ 1.2	13,156	13,500	+ 2.6
Germany, West	281	300	+ 6.8	15,100	14,850	- 1.7
Ireland	37	42	+ 13.5	720	730	+ 1.4
Italy	860	900	+ 4.7	11,320	11,500	+ 1.6
Netherlands	306	315	+ 2.9	5,290	5,100	- 3.6
United Kingdom	650	699	+ 7.5	13,000	12,800	- 1.5
Spain	550	600	+ 9.1	8,755	9,300	+ 6.2
USSR	1,596	1,400	- 12.3	57,400	59,600	+ 3.8
Japan	751	777	+ 3.5	29,500	30,300	+ 2.7
Australia	191	188	- 1.6	3,377	3,240	- 4.1
Total selected countries	12,707	13,154	+ 3.5	251,699	255,848	+ 1.6

¹ Preliminary. ² Forecast.